GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:231
ANSWERED ON:25.07.2006
PROHIBITION ON RED LIGHT SUBSIDY UNDER WTO .
Manoj Dr. K.S.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) The nature of 'red light' subsidy and its implications for the country since these are prohibited specifically under the WTO agreement;

(b) The amount of subsidies provided by major oil companies to oil marketing companies during each of the last five years;

(c) Whether the Government proposes to have an effective policy in place to deal with the trade distortion effects of 'red light' subsidies especially on trade in the oil sector; and

(d) If so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a) to (d) For manufactured products, the WTO Agreement on Subsidies and Countervailing Measures (ASCM) provides for disciplines for the use of subsidies and also regulates the actions WTO Members can take to counter their effects. The subsidies, except as provided in the Agreement on Agriculture, that are prohibited under the ASCM, also known as 'red light' subsidies in general terms, are

(i) subsidies contingent upon export performance; and

(ii) subsidies contingent upon the use of domestic over imported goods.

The prohibition of export subsidies does not apply to developing country members referred to in Annexure VII of the ASCM (which includes India) till they reach per capita GNP of US $ 1,000.

A WTO Member having reasons to believe that a prohibited subsidy is being granted or maintained by another WTO member, may take recourse to remedies provided under Article 4 of the ASCM for finding a mutually agreed solution through consultations, and if no such solution is reached within 30 days, referring the matter to the Dispute Settlement Body (DSB) of the WTO. The ASCM provides for recourse to countermeasures by the complaining Member, in accordance with its provisions, in case recommendations of the DSB are not implemented. If domestic producers are affected by imports of subsidized products, ASCM provides for another remedy i.e. the imposition of countervailing duty following investigation.

While ASCM prohibits export subsidies and subsidies contingent upon use of domestic over imported goods, which are trade distortive, the Government has implemented a package of measures which involve moderate increase in prices, sharing by oil industry and the Government through restructuring of duties/taxes and oil bonds. This is in accordance with Government policy that requires it to mitigate the impact of high international prices of crude oil and petroleum products on the common man and ensure equitable sharing with all the stakeholders. During 2006-07, the Government has taken in principle decision to issue oil bonds to the oil marketing companies for the under recoveries that will be sustained by them on sensitive petroleum products. The upstream oil companies and refining companies have partially borne the under recoveries of the marketing oil companies through discounts in the prices of crude oil and sensitive petroleum products. The year-wise details of subsidy b orne by upstream oil companies and refineries are as follows :-

Rs. / Crore

Item	2001-02	2002-03	2003-04	2004-05	2005-06
Upstream oil companies (ONGC, GAIL, OIL)	-	-	3123	5947	14000

Refining companies - - - - 4393

(including private
sector)